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SUBJECT: EASTERN CARIBBEAN WARY OF CARICOM SINGLE MARKET

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¶1. (U) Summary. The January 1 "start" of the CARICOM Single Market and Economy (CSME) and January 30 signing are purely ceremonial events because the CSME is a patchwork process that countries must implement through national legislation. Owing to fears of a mass influx of foreign labor, concerns that regional competition could overwhelm local businesses, a craving for special treatment, and limited technical capacity, the Organization of Eastern Caribbean States (OECS) countries have been slow to implement the CSME. The present status of CSME is therefore "Single Market Lite," falling somewhere above a free trade agreement but significantly below a true single market. Labor mobility is restricted (to university graduates, media, athletes, artists, and musicians); hundreds of laws must be changed to open trade in services; and there has been little harmonization of regulations, even in areas essential to trade, such as customs. The Caribbean Court of Justice (CCJ) has original jurisdiction for CSME-related disputes and could play an important role in establishing precedent for how the CSME functions. End Summary.

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January 1 Milestone and January 30 Signing  
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¶2. (U) The much-publicized January 1, 2006 "start" of the CSME is misleading. According to the CARICOM CSME Unit, the various provisions of the CSME only take effect when they are passed into national law in each country. Coming up with the January 1 date was a way CARICOM members could publicly proclaim their progress towards the CSME and push the more reluctant parties to embrace CSME provisions, but nothing regarding the CSME is legally different this year from last year. In the same vein, the January 30 signing ceremony that took place in Jamaica was also purely ceremonial. A similar "start" of the CSME for Barbados, Trinidad and Tobago, and Jamaica took place in early 2005, and there will likely be yet another "start" to the CSME and another signing ceremony later this year or early next year for the OECS countries. These dates lack significance because CARICOM, unlike the European Union (EU), has no executive authority over its member states. There is no supranational body in CARICOM comparable to the European Parliament or European Commission. The downside of not ceding any sovereignty to CARICOM is that each country must amend hundreds of old laws and pass many new laws on all aspects of the CSME, from customs and immigration to business law to financial regulations.

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Background and State of Play  
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13. (U) Nations of the English-speaking Caribbean founded CARICOM in 1972 as the Caribbean Community and Common Market, but have made little progress on moving toward a common market since that time. CARICOM revised its founding treaty (The Treaty of Chaguaramas - revised text online at [www.caricom.org](http://www.caricom.org)) in 2001 to give substance to the common market as implemented through the CSME. Member states have integrated their economies more quickly since then, but the original full-implementation deadline of 2005 for both the single market and economy proved far too ambitious. After several deadline extensions, in February 2005, CARICOM proclaimed the "start" of the CSME when Barbados, Trinidad and Tobago, and Jamaica stated that they were "CSME-Ready," meaning that those countries had updated their laws and regulations to allow the partially free movement of goods, services, and labor.

14. (U) In February 2005, all CARICOM countries other than Montserrat (waiting for Britain's permission to join the CSME), the Bahamas (opted out of the CSME), and Haiti (CARICOM has not recognized the interim government), pledged to be "CSME-ready" by the end of 2005. Only six countries (Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago) actually met the deadline. None of the OECS countries (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines) were "CSME-ready" by the deadline. Instead, the OECS countries demanded special and differential treatment and a regional development fund as conditions of their participation in the CSME. (Note: CARICOM heads of government agreed to a regional development fund at the end of 2005, and the OECS countries will likely get some form of special treatment, such as technical assistance and more time to implement CSME

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provisions. End Note.)

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OECS Demands  
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15. (U) In response to mounting public and government fears that the CSME would cause severe economic disruptions for their small economies, OECS heads of government decided in their June 2005 meeting to ask for special and differential treatment in the CSME, based on chapter seven of the Revised Treaty of Chaguaramas. CARICOM, unlike other organizations, is more sensitive to geographic, economic, and population size than income per capita when calculating which countries are "less developed." The other CARICOM states have accepted the OECS demands, and have agreed to a new deadline of March 31, 2006, for the OECS countries to be CSME-ready.

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Flood of Cheap Labor?  
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16. (U) Many people in the Eastern Caribbean, particularly Barbadians, fear that implementation of the CSME will result in an influx of cheap labor leading to a strain on social services, downward pressure on wages, a possible rise in crime, and disruption to the traditional makeup of society. Ironically, these fears are currently irrelevant to the CSME, because the only people that can move freely are university graduates, artists, musicians, athletes, and journalists. The CSME does not currently allow blue collar or unskilled workers free movement. According to Ivor Carryl, an officer at the CSME Unit, CARICOM Heads of Government have not yet agreed to extend free movement of labor to all CARICOM nationals, but will probably do so by 2008. A front-page article in the January 10 Barbados Advocate stated that only about 2000 CARICOM nationals applied for free movement of labor to Trinidad and Tobago under the CSME, and only 500 of those qualified. Trinidad, with one of the strongest economies in the region, would seemingly attract a major

influx of labor, but the initial numbers seem moderate.  
(Note: More to come on free movement of labor septel. End  
Note.)

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Loss of Local Businesses?  
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¶17. (U) The CSME grants the "right of establishment," meaning that any CARICOM national can start a business in any CSME country. This right gives free reign to larger Caribbean companies to expand regionally and compete with smaller local companies. The single market also knocks down barriers to intra-regional trade in goods and services. Trinidad, with its rock-bottom energy costs and relatively cheap labor, could flood the market with exports. The expansion of larger regional businesses combined with the threat of Trinidadian imports has made some smaller OECS businesspeople and governments uneasy.

¶18. (U) A lack of high-volume inter-island shipping providers, however, may limit Trinidad's ability to dominate intra-regional trade. Econoff spoke with an official at Tropical Shipping, a large Florida-based company serving the Caribbean, who said her company does not ship cargo between the islands because there is insufficient volume to justify such routes. Unless inter-island trade increases dramatically, local companies and U.S. exporters (using the direct shipping connection from Florida ports) will continue to have a competitive advantage because of relatively high inter-island shipping costs. While some dislocation will likely occur, the net effect of the CSME on business should be an increase in efficiency and competitiveness.

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Private Sector - Forge Ahead, but Retain a Good Lawyer  
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¶19. (U) Since the CSME is a patchwork process that each country must implement into national law, companies could end up waiting a long time for a fully-functioning CSME. In the meantime, some courageous companies may have to forge ahead to test the limits of the new single market and go to court if necessary. The newly-founded Caribbean Court of Justice (CCJ) has original jurisdiction for CSME-related disputes and may need some early court cases to set the precedent for how the single market will legally function. According to Ivor

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Carryl, Program Manager at the CARICOM CSME Unit, individuals and companies can push their rights under the CSME in countries that have enacted the revised treaty of Chaguaramas into domestic law, even if the regulations implementing such laws are lagging behind. If the CCJ comes down in favor of Carryl's approach, then that court could play a large role in pushing national governments to speed up their implementation of the CSME.

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Political Impact  
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¶10. (U) The CSME has had a negligible political impact in the Eastern Caribbean, where policy and economic elites appear to be well ahead of the public on a topic that few people seem to understand well. Hardly a week passes in which a politician or journalist does not call for enhanced efforts to educate the public on the CSME and its implications for the region. Many political leaders, however, have contributed little in this regard. Despite the importance of the single market push, it failed to emerge as an issue during elections held in 2005 in St. Vincent and Dominica, where neither ruling nor opposition parties sought to interject the CMSE into the campaign.

¶11. (U) Wary ambivalence best sums up the views of people in

the region, as suggested by public opinion polls. In Barbados, which has done the most to educate the public about CSME, 44 percent of respondents expressed their support for the single market in a 2005 poll conducted by CADRES, a private research firm. A prominent political scientist who analyzed the poll results found it troubling, however, that a vast majority of respondents were concerned about immigration, which appears to fly in the face of the CSME's stated goal of the free movement of labor. He and other observers have suggested that such responses demonstrate an underlying xenophobia in Barbados and other Eastern Caribbean countries, where people fear the impact of immigration on their traditionally small, homogenous societies.

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Comment  
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112. (SBU) Judging by the grand speeches on economic integration at nearly every CARICOM gathering, one would think that the CSME is a done deal. Unfortunately, these integrationist instincts are foiled by fears of uncontrolled immigration and loss of sovereignty. Protectionist economics have led to a "Single Market Lite," resulting in limited gains from economic integration. If leaders can overcome their fears and develop a true single market, the region will likely benefit economically and have a better negotiating position in the FTAA, WTO, and other trade arenas. Most likely, CARICOM leaders will continue to slowly implement the "Single Market Lite" and not take any bold moves towards further integration.  
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